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OFFICE OF CURRENT INTELLIGENCE
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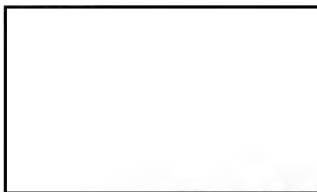
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1. BRITISH VIEWS ON EGYPTIAN CANAL MEMORANDUM

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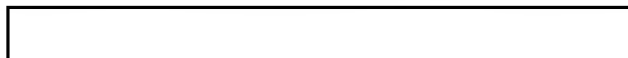


A British Foreign Office official told the American embassy in London on 29 March that the Egyptian memorandum on the canal, although obviously unacceptable in its present form, provides a possible basis for negotiation. The Foreign Office believes the Egyptian attitude might allow payment of dues through the Suez Canal Users Association (SCUA), and is seeking an early SCUA meeting to discuss the memorandum along with the conclusions of the Bermuda conference.

Comment

London appears resigned to its inability to induce Nasr to alter his terms significantly, but is probably hoping to save face by reaching an agreement on some modifications. The recourse to SCUA represents a shift in Britain's position since it had agreed at the Bermuda conference that it would not be useful at this time to involve SCUA, most of whose members preferred to act through the UN on canal matters.

In his recent Cairo negotiations, UN Secretary General Hammarskjold found Egypt hard to budge on points in the memorandum but persuaded Egypt to consider it as a draft pending comments from other governments. Hammarskjold concluded that the way had been left open for arrangements for co-operation with the users. Egypt would probably refuse to permit toll payments to SCUA itself.



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3. KHRUSHCHEV'S "THESES" ON ECONOMIC REORGANIZATION PUBLISHED "FOR DISCUSSION"

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The 30 March publication of Khrushchev's "theses" on reorganization of the administration of Soviet industry provides guidelines for a nationwide discussion on how to implement the decisions of the February central committee meeting. The discussion is intended to publicize the forthcoming governmental reorganization and enlist popular support for it.

Khrushchev's outline is an expansion and reaffirmation of information published in the Soviet press and given to US columnist Alsop by Khrushchev and chief long range planner Baibakov. New information on the direction and scope of this most sweeping decentralization since national five-year plans began in 1928 includes transfer of operational authority to regional administrative units. One of Khrushchev's recommendations calls for abolition of the State Committee for Current Planning, headed since last December by presidium member M. G. Pervukhin. He also advocated that all planning and coordinating functions of the central government except major policy matters be concentrated in Gosplan, now responsible for long-range planning. In such an event, Pervukhin and the other top level administrators assigned last December to the State Economic Commission might be transferred to Gosplan. Failure to assign Pervukhin as head of Gosplan or give him another important post would suggest dissatisfaction with his performance in the preparation of the 1957 plan.

Khrushchev also put unusually strong emphasis on the continued primacy of heavy over light industry, and stated that the nation's future growth would suffer "if we yield to an incorrect, false interpretation" that light industry should have priority. This suggests that the issue may have been the subject of recent debate. Khrushchev said heavy industry will continue to receive the lion's share of investment, thus destroying any illusions that the increased priority of housing in 1957 foreshadows substantial concessions to consumers in the final version of the Sixth Five-Year Plan.

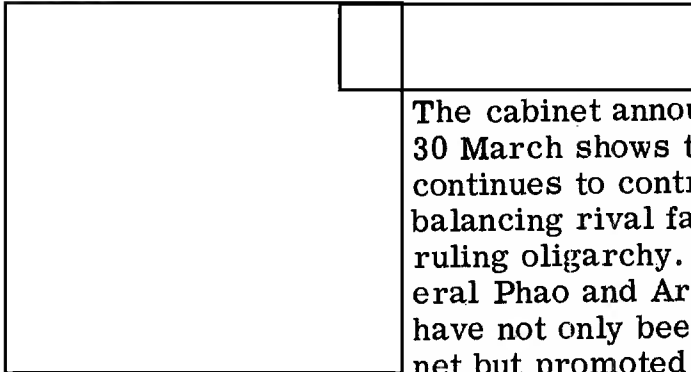
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4. NEW GOVERNMENT IN THAILAND

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The cabinet announced in Thailand on 30 March shows that Premier Phibun continues to control the country by balancing rival factions in Thailand's ruling oligarchy. Police Director General Phao and Army Commander Sarit have not only been retained in the cabinet but promoted to higher posts. Phao,

formerly deputy minister of the interior, has been placed in charge of the ministry, while Sarit has been similarly advanced to the position of minister of defense. With minor changes in personalities and positions, the rest of the cabinet remains as it was before the 26 February elections.

The new government can be expected to maintain Thailand's strong pro-Western orientation. Internal stability also seems assured for the time being, although the Phao-Sarit rivalry will continue to cause trouble for Phibun. Any such difficulty in the near future would probably be inspired by Sarit in irritation over his inability during the recent postelection emergency to destroy Phao's influence. Phao, who reportedly is stepping down as chief of police, will probably act cautiously for the present to deny Sarit any pretext to move against him.

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5. INDIAN COMMUNISTS ATTEMPT TO ATTRACT PRIVATE CAPITAL TO KERALA STATE

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The Indian Communists, who are expected shortly to be asked to form a government in Kerala State, are inviting private capital to the state as one means of improving economic conditions there in an effort to make Kerala a model state under their administration.

On 28 March, Kerala Communist leader Namboodripad said that the Communists would not immediately attempt to establish a Communist state but would encourage private capital to develop local industry if satisfactory terms could be arranged. Simultaneously, G.D. Birla, one of India's topmost industrialists, reported that he had already been approached by the Communists and asked to start a pulp and rayon factory in Kerala. He was promised that the Communists would do everything he wanted to make the venture attractive, and he said he had decided to accept the offer.

Any Communist success in improving conditions in Kerala would reflect adversely on the Congress Party's past record and might have far-reaching effects over the next few years in other states where the Congress Party has lost popularity. Congress leaders hope the Communists will fail but cannot take an overt stand against their efforts to improve the economy.

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6. NEW POLITICAL CRISIS IN HAITI

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The American embassy in Port-au-Prince states that the current political situation in Haiti is "akin to that of the first week in February" when Provisional President Pierre-Louis was forced out and replaced by Franck Sylvain.

The opposition to presidential candidate Duvalier, which includes all other candidates, claims that the scheduled 28 April election is rigged in Duvalier's favor. In a new ultimatum to President Sylvain on 29 March, the candidates reiterated, under threat of calling a general strike, their demand that he select a new cabinet representing all political factions. They also demanded that he halt election registrations. Several cabinet ministers have told the American embassy they are uncertain how long they can remain in office.

Sylvain has weathered several political storms, however, and, unlike Pierre-Louis, has won popular favor by pushing sequestration proceedings against members of the Magloire regime and by setting a definite date for national elections. The position of the army, which could determine Sylvain's fate, is unclear, but the embassy reports that senior army officers are "noticeably active."

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